

NC KazMunaiGas announces financial and operational results for Q1 2017

JSC National Company KazMunaiGas (“**NC KMG**”, or “**the Company**”) today announces its consolidated financial results and operational highlights for the three months ended 31 March 2017.

Crude oil and gas condensate production

In the first three months of 2017, the consolidated volume of oil and gas condensate production across the NC KMG group of companies amounted to 5,761 thousand tonnes, 0.3% higher than in the same period of 2016.

JSC KazMunaiGas Exploration Production produced 2,904 thousand tonnes of oil, 4.6% lower than in the first three months of 2016.

The Company's share in production volume from Tengizchevroil LLP (20% stake) was 1,460 thousand tonnes of crude oil, a 1% decrease year-on-year.

The Company's share in production volume from JSC Mangistaumunaigas (50% stake) was 774 thousand tonnes of crude, 1.1% less than in the first three months of 2016.

The Company's share in production volume from KMG Kashagan BV (8.44% stake) was 132 thousand tonnes of oil. In Q1 2016 production was not yet launched.

The Company's share in production volume from KMG Karachaganak LLP (10% stake) was 289 thousand tonnes of crude oil, 2.5% more than in the same period of 2016.

The Company's share in production volume from Kazakhoil Aktobe LLP (50% stake) was 88 thousand tonnes of crude oil, a 12.1% decline compared to the same period of 2016.

Kazakhturkmunai LLP produced 105 thousand tonnes of oil, up 90.3% compared to Q1 2016. In the second half of 2016, a program of additional geological and technical measures was developed and implemented, which led to an increase in oil production.

Natural and associated gas production

In the first three months of 2017, consolidated production of natural and associated gas amounted to 2,030 Mcm, a 4.9% increase year-on-year.

JSC KazMunaiGas Exploration Production (Kazakh Gas Refinery LLP) produced 75 Mcm, a 1.5% decrease compared to Q1 2016. This slight fall occurred due to natural production decline as the field is in its final stage of development.

The Company's share in production volume from Tengizchevroil LLP (20% stake) was 799 Mcm, 0.4% less than in the same period of 2016.

The Company's share in production volume from JSC Mangistaumunaigas (50% stake) was 98 Mcm, 0.5% more than in the same period of 2016.

The Company's share in production volume from KMG Karachaganak LLP (10% stake) was 500 Mcm in the first quarter of 2017, 2.1% more than in the same period last year.

The difference was due to planned preventative maintenance works in 2016.

The Company's share in production volume from Kazakhoil Aktobe LLP (50% stake) was 75 Mcm, a decrease of 3.1% year-on-year due to lower production levels.

Kazakhturkmunai LLP produced 49 Mcm in the first three months of 2017, 22.2% more than in the same period of 2016. In the second half of 2016, a program of additional geological and technical measures was developed and implemented, which led to an increase in oil production.

JSC KazTransGas (Amangeldygas LLP) produced 96 Mcm of natural gas, 4.3% more than in Q1 2016 due to the commissioning of new wells on the Amangeldy field and the adjustment of production levels at the Zharkum field.

Oil and gas transportation

In the first three months of 2017, the total volume of oil transported through KMG pipelines amounted to 14,264 thousand tonnes, 0.6% lower than in the same period of 2016. The volume of oil transported by JSC KazTransOil pipelines was 11,170 thousand tonnes, a 0.9% increase year-on-year.

Kazakhstan-China Pipeline LLP's volume attributable to 50% share of NC KMG

amounted to 1,932 thousand tonnes of oil, which is 2.9% higher year-on-year. JSC MunaiTas North-West Pipeline Company's volume attributable to 51% share of NC KMG amounted to 1,006 thousand tonnes of oil, a 14.1% decrease year-on-year. Oil transshipping through the Batumi terminal amounted to 649 thousand tonnes of oil. Oil transported by sea (NMSC Kazmortransflot LLP) amounted to 1,500 thousand tonnes, 5% higher than in the first three months of 2016.

The volume of gas transported through NC KMG pipelines in the reporting period totalled 25.6 Bcm, a 2.5% decline compared to the same period in 2016. This included international gas transit of 15.15 Bcm, a 13.2% decrease year-on-year; gas sales for export amounted to 4.02 Bcm, 24% higher year-on-year; domestic gas shipments amounted to 6.44 Bcm, a 16% increase on the same period of 2016.

Refining and Marketing

In the first three months of 2017, NC KMG processed a total of 3,033 thousand tonnes of crude oil, representing a 31% increase year-on-year. This included:

- 1,210 thousand tonnes at the Atyrau refinery, a 50% increase year-on-year
- 1,300 thousand tonnes at the Pavlodar refinery, a 30% increase year-on-year
- NC KMG's 50% share in the processing volume of Shymkent refinery amounted to 497 thousand tonnes. This represents a 2% decrease year-on-year in processed crude oil
- NC KMG's 50% share in the processing volume of Caspi Bitum amounted to 26 thousand tonnes. This represents a fivefold increase year-on-year.

Currently, the three refineries are undergoing modernisation and reconstruction works, which are progressing according to schedule. Renovation of the equipment is being carried out and new facilities have been commissioned. The completion of the modernisation works is expected in 2017-2018.

KMG I processed 1,161 thousand tonnes, a 16% increase year-on-year.

Q1 2017 financial results

Revenue for the first quarter of 2017 amounted to KZT 591 billion, up 124% year-on-year. This was largely the result of a 58% increase in the average Brent crude oil price, as well as oil sales under the long term oil and gas supply agreement (**«Supply agreement»**), signed in 2016. Sales under this agreement amounted to KZT 270.8 billion in the first quarter of 2017.

Production costs increased to KZT 510 billion, up 70% year-on-year. This was due to the cost of oil purchased for deliveries under the Supply agreement, which totalled KZT 189.7 billion in Q1 2017 versus KZT 0 in Q1 2016.

Other operational expenses totalled KZT 91.1 billion in Q1 2017 compared to KZT 76.3 billion in Q1 2016, largely due to a rental tax charge of KZT 18.6 billion. The rental tax rate increased to 11% from 0% last year due to an increase in the average Brent price.

KMG's associated companies and joint ventures accounted for KZT 85.9 billion of net result, which is 72% higher year-on-year. The main growth drivers were Tengizchevroil and CPC, whose revenues increased by KZT 21.9 billion and KZT 10.8 billion, respectively, year-on-year in the reporting period.

NC KMG recorded a foreign exchange loss of KZT 25.6 billion due to a 5.6% fall in the Kazakh tenge /US dollar exchange rate in Q1 2017 (from 333.29 to 313.73 KZT/USD). The Company's net profit increased by 228% to KZT 103 billion compared to KZT 31 billion result of the same period of last year.

Taxes and other mandatory payments to the budget amounted to KZT 115 billion.

Capital expenditure amounted to KZT 128 billion, an 11.3% decrease compared to the first quarter of last year.

The company's net debt at the end of Q1 2017 amounted to KZT 1,063 billion (debt net of cash and deposits). Cash and deposits, totalled KZT 2,081 billion, 3% lower than the figure as of 31 December 2016.

For further information, please contact:

ir@kmg.kz

Тел: +7 (7172) 78 62 27

pr@kmg.kz

Тел: +7 (7172) 78 62 42

Interim condensed consolidated financial statement of NC KMG for the three months ended March 31, 2017 is available [here](#)